

2004 Intended Use Plan -- Response to Comments

The SDWSRF mailed a notice to public water systems and other interested parties, dated February 23, 2004, concerning the availability of the 2004 Draft Intended Use Plan and the related Draft Project Priority Lists for public review and comment. The notice established that written comments would be accepted on the 2004 draft Intended Use Plan and the related draft Project Priority Lists, concluding at 5:00 p.m., April 12, 2004. The mailing and related Internet posting also noted that a public hearing would be held on March 12, 2004, in Sacramento. DHS received no oral or written comments at the March 12, 2004 public hearing.

During the public review and comment period from February 23 to April 12, 2004, comments were received from Drinking Water Program field offices concerning omissions and corrections to the draft project priority list. As a result, additions were made to the list and those changes were noticed on the SDWSRF website. A copy of the notice is attached.

During the public review and comment period, a written comment letter was submitted by:

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Clean Water Action/Clean Water Fund
111 New Montgomery Street, Suite 600
San Francisco, CA 94105
April 12, 2004

A summary of the comments and the SDWSRF response follows:

II. Goals:

- CWF recommends that SDWSRF set a goal related to reducing the time it takes for a water system to receive funding through this program.

Response: The SDWSRF shares the concern of timeliness of funding and construction of needed projects. SDWSRF experience shows that delay in completion of funding process, specifically issuance of a funding agreement (loan, or loan/grant contract) is primarily due to the applicant water system failure to complete necessary requirements of the preliminary funding commitment (notice of application acceptance – NOAA) in a timely manner. SDWSRF now includes in each NOAA, as a standard condition, a time limit of one year for the conditions of the NOAA to be met so that a loan (or loan/grant) contract can be authorized.

SDWSRF experience shows that in some cases delay in funding occurs after an application has been submitted, but prior to issuance of either a funding agreement or a NOAA. Such delays may be due to time required to address environmental review requirements, and revision or supplemental information for project engineering reports and related documents, and insufficient resources within the SDWSRF for more timely completion of the technical, financial, and environmental review processes.

- CWF comments that many smaller water systems have been repeatedly bypassed for funding, inquires whether a reason for the by-pass has been identified, and asks if changes in the SDWSRF program could correct the drop-out or by-pass of smaller systems.

Response: The SDWSRF annual report includes a summary of the by-pass status of those systems which received an invitation to apply for funding but did not complete the application process. SDWSRF staff and external contractors are available to assist small water systems in the application process. SDWSRF feedback from systems which by-pass reflect a variety of concerns ranging from cost, technical feasibility of a project, local environmental or growth issues, and barriers in conclusion of decision-making by the system managers.

- CWF asks for additional information on the Technical, Managerial, and Financial review and capacity development, to provide a more complete understanding of the impact that TMF has. CWF requests an estimate of the time required to review systems on the assistance referral list.

Response: The SDWSRF strategy on capacity development includes a plan to establish baseline capacity information on approximately 7,800 water systems in the state. The implementation of this strategy is to be staged over 5 years, with a goal of completion by 2010. The actual timeline will depend on available resources and workload priorities. The small system assistance referral list is an active SDWSRF program implementation tool; systems are added to the listing at least quarterly, and removed when consultation assistance has been provided.

IV. Set Aside Activities

- CWF recommends an increase in the portion of the capitalization grant set aside for capacity development. CWF recommends that the SDWSRF gradually increase funds set aside for capacity development up to 10 percent of the federal grant award. CWF suggests that an increase in capacity development funding can be expected to result in long-term improvements in the ability of small systems to reliably provide safe clean affordable water to their customers.

Response: SDWSRF has evaluated the potential for increasing the funds set aside for capacity development activities. The SDWSRF has submitted a proposal now under review by control agencies which may enable this set aside to be increased to 2.8 percent of the federal award.

- CWF requests clarification of the term TMF review.

Response: The terms “TMF review” and “TMF assessment” are used interchangeably.

- CWF requests that information on the Capacity Development work plan be made available.

Response: The 2002 Report to the Governor on Capacity Development and the August 2002 Capacity Development Implementation Strategy are available at the SDWSRF program Internet website. The annual workplan for the Small Water System Technical Assistance set-aside and the Capacity Development set-aside will be added to the SDWSRF website to provide additional information about these activities.

- CWF recommends that update of the TMF database development be provided.

Response: The SDWSRF continues to work on development of a database to maintain information on TMF assessments. The database is planned to be developed in 2006. The SDWSRF strategy on capacity development includes a plan to establish baseline capacity information on approximately 7,800 water systems in the state. The implementation of this strategy is expected to be staged over 5 years, with a goal of completion by 2010. The actual timeline will depend on available resources and workload priorities.

V. Disadvantaged Communities

- CWF is concerned about the number of small and disadvantaged systems that are repeatedly bypassed for funding. CWF recommends that the SDWSRF program review and consider revision of the 80 percent cap on the portion of the project costs which amount of grant that can be awarded, the overall \$1 million cap on grant funds, and the per service connection cap on grant awards.

Response: SDWSRF has evaluated the potential modification of the grant funding available from the SDWSRF program. The SDWSRF Committee has recommended the following: (1) program regulations be revised to allow greater grant funding for smaller systems on a per service connection basis due to the higher per service connection costs such systems/projects may encounter and to take into account inflation, as this limit has not been changed in over 20 years; (2) no change to 80 percent funding limit at this time as an increase will jeopardize the ability of the fund to be revolving; (3) no change to the grant limit of \$1 million per project at this time as this will benefit primarily larger systems; (4) increase the funding allowed for planning funding; and (5) allow a grant component for planning projects funding. As a follow-up, the SDWSRF program regulations are being revised to reflect the recommendations of the committee and in response to the comments received.

VI. Source Water Protection Program and Project Priority List

- CWF expressed concern about the relatively low number of smaller systems on the source water protection (SWP) project priority list.

CWF recommends that the SDWSRF review the SWP program policies to increase participation by small and disadvantaged systems.

CWF recommends that SDWSRF review projects on the conventional Project Priority List for possible reclassification as SWP Projects.

CWF recommends that the SDWSRF include bonus points for SWP projects for low income systems similar to conventional SRF project ranking.

CWF recommends the SDWSRF program set minimum goals for Source Water Protection Program (SWPP) loans to small systems similar to those for conventional SRF projects

CWF recommends applying loan incentives such as reduced interest rates on SWP loans to disadvantaged communities.

Response: DWP staff periodically reevaluates preapplications when new information becomes available. Preapplications will also be reviewed for possible reranking if requested by the water system.

SWPP loans are eligible for the zero percent interest rate available to conventional DWSRF projects. The SRF committee considered whether a change should be made to allow SWP projects to receive partial grants, however since grants degrade the ongoing (revolving) nature of the SDWSRF program, the committee rejected the proposal to modify the regulations to allow grants to SWP projects.

The SRF Committee considered the SWP program modifications which CWF suggested. In 2004, the SDWSRF program invited all projects on the SWP PPL to submit a full application. Three systems submitted SWP applications. To date, the SDWSRF program has been able to fund all SWPP projects which have followed through the application process. Thus, a change to the SWPP bonus point system is not needed to improve funding of SWP projects for smaller or disadvantaged systems. In consideration of this, the SRF committee recommended it is not necessary to earmark SWP funds to specifically to projects of smaller systems at this time. Smaller and/or disadvantaged systems are not being denied the opportunity to apply for funding under the existing SWPP.

VII. Public Participation

- CWF inquires about the process for input into the internal SRF committee.

Response: The SDWSRF program recognizes the need to provide avenues through which feedback can be received concerning the SDWSRF program. A mechanism to allow interested parties to provide feedback via the Internet is being established. This is expected to facilitate the ongoing dialog with those interested in the success of the SDWSRF program.